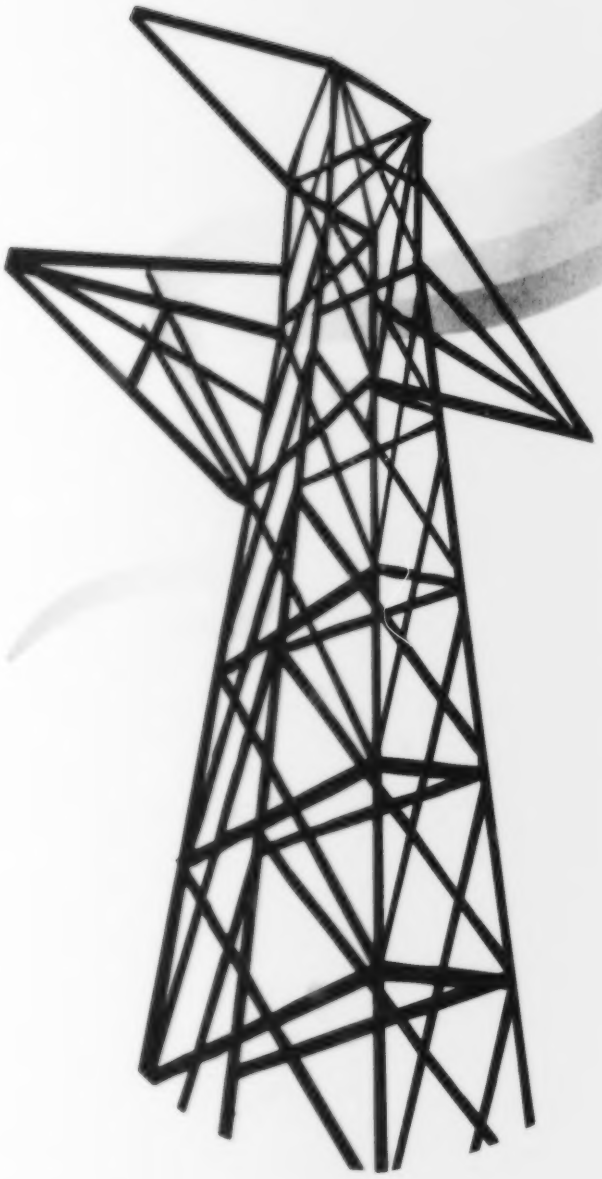

2005 Annual Report

Northwest Territories

Public Utilities Board
of the
Northwest Territories

PUBLIC UTILITIES BOARD

OF THE NORTHWEST TERRITORIES

ANNUAL REPORT

For the year ending
December 31, 2005

106-02912/

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Northwest Territories Minister Responsible for the Public Utilities Board

FEB 15 2006

The Honourable Anthony W. J. Whitford
Commissioner of the Northwest Territories

I take pleasure in submitting the Annual Report of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 2005.

Michael McLeod
Minister

Attachment

Northwest Territories Public Utilities Board

February 15, 2006

The Honourable Michael McLeod
Minister Responsible for the
Public Utilities Board
of the Northwest Territories

Dear Minister:

I am pleased to submit the Annual Report of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 2005, in accordance with the provisions of Section 16. (1) of the *Public Utilities Act*.

Yours truly,

John E. Hill
Chairperson

203 - 62 Woodland Drive, Box 4211, Hay River, NT X0E 1G1
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THE PUBLIC UTILITIES BOARD

Mandate

The Northwest Territories Public Utilities Board ("**Board**") is an independent regulatory agency of the Territorial Government operating under and administering the *Public Utilities Act* ("***the Act***"). The Board is primarily responsible for the regulation of energy utilities in the Northwest Territories ("**NWT**"), to ensure that the rates charged for energy are fair, just and reasonable. It is also responsible for ensuring utility operators provide safe, adequate and secure services to their customers.

Board Organization

The Board consists of a part-time Chairperson and four part-time members. The Board Secretary, who reports to the part-time Chairperson, administers the office. As the chief executive officer, the Chairperson presides over sittings of the Board and supervises the Board Secretary.

The position of Chairperson has been part-time since April 1, 2001.

The Board operates efficiently with a part-time Chairperson, a full-time Board Secretary and outside counsel and consultant. Because of the technical nature of the work, the Board is dependent on specialized outside assistance. No changes are contemplated, as the arrangement is cost-effective.

The Minister Responsible for the Board, upon the recommendation of the Executive Council appoints members to the Board. At present, the Board consists of the following persons:

Chairperson	John E. Hill, Devon, Alberta
Vice-Chairperson	Joe Acorn, Yellowknife, Northwest Territories
Member	Gene Nikiforuk, Candle Lake, Saskatchewan
Member	William Koe, Fort McPherson, Northwest Territories

The Board is assisted by:

Board Secretary	Louise Larocque, Hay River, Northwest Territories
Legal Counsel	John Donihee Professional Corporation, Calgary, Alberta
Consultant	Raj Retnanandan, Energy Management & Regulatory Consulting Ltd., Edmonton, Alberta

REGULATORY JURISDICTION

Following are the utilities subject to the Board's jurisdiction:

Northwest Territories Power Corporation
Head Office: Hay River, Northwest Territories

Stittco Utilities NWT Ltd.
Head Office: Hay River, Northwest Territories

Northland Utilities (NWT) Limited
Head Office: Hay River, Northwest Territories

Northland Utilities (Yellowknife) Limited
Head Office: Yellowknife, Northwest Territories

The Town of Norman Wells
Head Office: Norman Wells, Northwest Territories

Aadrii Ltd.
Head Office: Yellowknife, Northwest Territories

Inuvik Gas Ltd.
Head Office: Inuvik, Northwest Territories

UTILITY REGULATION

The need for regulation arises because utilities generally provide service on a monopoly basis without the economic controls of competition. The Board is the proxy for competition and attempts to ensure efficiency and fair pricing. The principles of rate regulation rest on fairness to both the utility and the consumer.

Energy utilities, as defined in *the Act*, are subject to Board regulation. The Board's principal responsibility is to ensure that each utility provides safe, adequate service at rates, which are just and reasonable. When setting rates the Board must balance the competing interests of consumers, and the utilities. Rates are set through a public hearing process. The Board's objective through the hearing process is to guarantee that the public interest is served, and protected.

Public involvement is an essential component of the regulatory process. The Board ensures the opportunity for public participation by directing the applicant to publish a notice, approved by the Board, advising that a hearing is to be held to consider the application. The notice may be published in newspapers throughout the utility's service area, sent to each customer in monthly billings, or distributed to the public in a manner that the Board considers appropriate.

The Board has the authority to award costs at the conclusion of a hearing. Intervenors before the Board may receive up to 100% of their reasonably incurred costs provided that, in the Board's opinion, the intervention contributed in a meaningful way to the Board's understanding of the application.

Intervenors are interested parties who register with the Board and receive copies of the application and all written questions and answers.

Intervenors may take an active role in the hearing process. They may submit written questions, give evidence, call expert witnesses, and cross-examine the applicant. The applicant as well as other intervenors is provided the opportunity to cross-examine the intervenor and the intervenor's expert witnesses. Alternatively, the intervenor may choose to not actively participate in the hearing, but simply receive all available information.

After hearing and reviewing the evidence, the Board issues its decision outlining the Board's determination of the application. The Board may turn down the rate change, modify it, or approve the entire request.

The Board also approves major capital projects, the issuance of long-term debt and franchise agreements.

2005 HIGHLIGHTS

The Board's major activities during 2005 were the General Rate Applications ("**GRA**") of Northland Utilities (Yellowknife) Limited ("**Northland Yk**") and Northland Utilities (NWT) Limited ("**Northland NWT**"). Public hearings were held in Yellowknife and Hay River

The Board was directed by the Minister to provide a report for with respect to applications from Northwest Territories Power Corporation ("**NWTPC**") and Northland Yk for an exclusive electrical utility franchise for Cassidy Point, near the City of Yellowknife ("**the City**"). The Board advertised that an information session was to be held in Yellowknife on November 14, 2005, and interested parties were invited to participate. NWTPC advised the Minister by letter dated October 5, 2005 that it was withdrawing its application for a franchise. The Board proceeded with the information session with participation by Northland Yk, the Yellowknives Dene First Nation and residents of the Cassidy Point area. The report is due January 10, 2006.

The Board also dealt with other significant matters that are detailed in the decision summary.

During the year, Board members participated in the educational conference hosted by the Canadian Association of Members of Public Utilities Tribunals ("**CAMPUT**"). CAMPUT is the Board's primary resource for providing staff and Board members with training and education in areas of utility regulation.

A LOOK AHEAD

The Board will issue its report to the Minister by January 10, 2006 with respect to the applications for an exclusive electrical utility franchise for the Cassidy Point area

On November 7, 2005, the Board issued Board Decision 16-2005 denying the City's applications for costs with respect to the Project Permit proceeding and the Capacity/Reliability Planning Criteria proceeding. The Board approved the application for costs, adjusted for the Goods and Services Tax, with respect to the Rate Rider proceeding in the amount $6,143.41. On December 21, 2005, the City submitted an application to review and vary Board Decision 16-2005. The Board is expected to issue a decision in January 2006.

The Board is expected to issue a decision with respect to Northland NWT's 2005/06 GRA, by the end of February 2006.

Section 65 of *the Act* requires the Board to review the affairs, earnings and accounts of each public utility every three years. The Board may review at any other time. It is anticipated that NWTPC will file its GRA before year-end, which will enable the Board to undertake the mandatory review, due in 2006, of NWTPC's affairs, earnings and accounts.

SUMMARY OF 2005 BOARD DECISIONS

DECISION 1-2005 **January 13, 2005**

Application:
By letter dated December 17, 2004, NWTPC submitted an application to the Board for approval of a diesel fuel rider applicable to the diesel communities, effective February 1, 2005

Order:
After reviewing NWTPC's calculations with respect to the proposed fuel rider and the continuity schedule of the diesel fuel stabilization account since division of NWTPC on April 1, 2001 when Nunavut Power Corporation became a separate entity, the Board approved the Fuel Rider, effective February 1, 2005.

DECISION 2-2005 **January 20, 2005**

Application:
By letter dated January 14, 2005, Northland NWT applied to the Board for approval to increase Rider F for its Hay River customers to reflect the removal of the purchased power shortfall recovery rider by NWTPC effective February 1, 2005.

Order:
After reviewing the application, the Board approved the rate rider.

DECISION 3-2005 **January 20, 2005**

Application:
By letter dated January 14, 2005, Northland Yk filed an application to increase Rider C for its Yellowknife customers to reflect the removal of a purchased power shortfall recovery rider by NWTPC, effective February 1, 2005.

Order:
After reviewing the application, the Board approved the rate rider.

DECISION 4-2005 **February 9, 2005**

Application:
By letter dated January 21, 2005, NWTPC filed an application with the Board requesting an interim rate to be applied to Miramar Con Mining Ltd., effective January 1, 2005.

Order:
After reviewing the application, the Board approved the interim rate.

DECISION 5-2005 **March 3, 2005**

Application:
By letter dated January 28, 2005, Northland Yk applied to the Board for approval to issue a long-term instrument in the amount of $700,000, by way of an unsecured debenture with an interest rate of 5.94% to ATCO Electric Ltd.

Order:
After reviewing the application, the Board approved the issuance of a Debenture in the principal amount of $700,000 to ATCO Electric Ltd at an interest rate of 5.94%.

DECISION 6-2005 **May 18, 2005**

Application:
NWTPC, by letter dated March 24, 2005, submitted an application to the Board for approval of five separate rate riders (Rider P, Rider N, Rider I, Rider S, Rider T)

Order:
The Board reviewed the schedules and responses to information requests provided by NWTPC and approved the Fuel Stabilization Fund Rate Riders N, I, S and T applicable to the respective communities, effective June 1, 2005.

Rider P for recovery of the Public Service Superannuation Plan ("**PSSP**") amount, effective June 1, 2005 was approved based on the same allocation percentages to communities as used in NWTPC's 2001/03 GRA. NWTPC was directed to file rate schedules for Rider P to reflect the Board's Decision.

DECISION 7-2005 **May 18, 2005**

Application:
By letter dated May 6, 2005, Northland NWT filed an application to adjust the existing Rider A for the communities for Fort Providence, Wekweeti and Trout Lake.

Order:
The Board reviewed the schedules and information provided by Northland NWT and approved the rate rider, effective June 1, 2005.

DECISION 8-2005 **May 31, 2005**

Application:
As directed by the Board in Decision 6-2005, NWTPC, by letter dated May 27, 2005, submitted the revised Rider P based on the same PSSP allocations used in NWTPC's 2002/03 cost of service analysis.

Order:
After review the schedules provide by NWTPC, the Board approved Rider P for recovery of the PSSP amount, effective June 1, 2005.

DECISION 9-2005 **June 15, 2005**

Application:
By letter dated June 6, 2005, Northland Yk filed an application for an order approving an increase to Rider C, applicable to its Yellowknife customers. Northland indicated the increase was required to flow through increases in purchased power costs from NWTPC resulting from the approval of Rider S and P and to reflect an over collection of revenues under Rider C.

Order:
After reviewing the schedules and information provided by Northland Yk, the Board considered it appropriate to approve Rider C, effective July 1, 2005 on an interim refundable basis at this time pending full review of the Rider C level and recoveries as part of the 2005/2006 GRA.

DECISION 10-2005 **July 12, 2005**

Application:
By letter dated July 6, 2005, Northland NWT filed an application for an order approving an increase to Rider F, applicable to its Hay River customers.

Northland indicated the increase was required to flow through increases in purchased power costs from NWTPC resulting from the approval of Rider P.

Order:
After reviewing the schedules and information provided by Northland NWT, the Board considered it appropriate to approve Rider F, effective August 1, 2005 on an interim refundable basis pending full review of the Rider F level and recoveries as part of the 2005/2006 GRA.

DECISION 11-2005 **August 18, 2005**

Application:
By letter dated August 8, 2005, Northland NWT filed an application to adjust the existing Rider A for the communities for Fort Providence, Dory Point/Kakisa, Wekweeti and Trout Lake.

Order:
The Board reviewed the schedules and information provided by Northland NWT and approved the rate rider, effective September 1, 2005.

DECISION 12-2005 **August 18, 2005**

Application:
On December 31, 2004, Northland Yk filed its GRA for the 2005/2006 test years. Northland Yk requested the Board determine the company's revenue requirement for each of the forecast test years 2005 and 2006, approve rate schedules and approve the revised Terms and Conditions of Service.

Order:
The Board, by letter dated January 5, 2005, directed Northland Yk to publish notice of the public hearing of the GRA in newspapers that circulate in the Northwest Territories. The City and NWTPC registered their interventions. Ecology North ("**EN**") and the Yellowknife Chamber of Commerce also indicated an interest.

EN submitted a proposal on March 9, 2005 seeking the Board's direction to Northland Yk to institute an appliance rebate program.

Northland Yk, in a letter dated March 14, 2005, requested Board approval to proceed with a proposed meeting to arrive at a Negotiated Settlement. The Board provided direction to Northland Yk to confine the negotiations to Phase I matters.

A Comprehensive Phase I Negotiated Settlement Dated March 24, 2005 was filed with the Board.

The Board, on April 11, 2005, notified parties of a hearing to consider the Phase I Settlement and to consider Phase II matters involving rates, rate design and terms and conditions of service.

The Board submitted an information request to Northland Yk, and both the Board and Northland Yk submitted information requests to EN respecting its appliance rebate proposal.

Public Notice of the hearing was published on June 1st. and 6th. 2005.

The hearing was in Yellowknife on June 22, 2005.

The Board, after reviewing the information provided and the testimony of witnesses, issued its decision and provided Northland YK with a number of directives. Northland YK was ordered to prepare and refile, within thirty days, its 2005/2006 GRA to comply with the directions contained in the decision.

DECISION 13-2005 **September 9, 2005**

Application:
On July 4, 2005, Northland NWT filed its Phase I GRA for the 2005/2006 test years. Northland NWT requested the Board determine the company's revenue requirement for each of the forecast test years 2005 and 2006.

On August 2, 2005, Northland NWT filed its Phase II GRA for the 2005/2006 test years consisting of the cost of service, rates schedules and the Terms and Conditions of Service. In an effort to minimize rate impacts to customers, Northland requested approval of the proposed 2005 rates on an interim refundable basis.

Order:
The Board reviewed the schedules and information provided by Northland NWT and directed Northland NWT to filed proposed interim rates for each of the communities designed to recover 50% of the proposed 2005 revenue increases, if applied on an annualized basis, for each community, effective October 1, 2005.

Northland NWT was also directed to file a Rider E for each of the communities for recovery of the deficiency resulting from implementation of the interim rates effective October 1, 2005 as opposed to the beginning of the test year, over the period October 1, 2005 to December 31, 2006.

DECISION 14-2005 **September 26, 2005**

Application:
In response to Board Decision 13-2005, Northland NWT filed Rider K and Rider E on September 19, 2005.

Order:
The Board reviewed the schedules and information provided by Northland NWT and approved the rate riders as filed, effective October 1, 2005.

DECISION 15-2005 **October 20, 2005**

Application:
In response to Board Decision 12-2005, Northland YK, by letter dated September 16, 2005, submitted a refiled application with respect to it's GRA for the 2005/2006 test years.

Order:
The Board reviewed the information file by Northland YK. The directions in Decision 12-2005 were carried out to the Board's satisfaction. In this Decision, the Board directed Northland YK to filed an application for disposal of the 25 kV deferral account for 2005 by June 30, 2006 and for 2006 by June 30, 2007. The Board also directed Northland YK to file any changes resulting from changes in income taxes resulting from expensing of costs capitalized for regulatory purposes. Northland Yk was directed to file any changes from such tax adjustments at the time of filing the 25 kV capital deferral account adjustments.

Northland Yk's proposed to initiating, administering and reporting on the delivery and success of the appliance rebate program was approved, as was the proposed Rider G relative to the program.

The Board approved the rate schedules and Terms and Conditions of Service, effective November 1, 2005.

DECISION 16-2005 **November 7, 2005**

Application:
By letters dated August 15th, 16th, and 18th, 2005, the City made Applications for intervenors costs in the following amounts:

1.	Capacity/Reliability Planning Criteria Application	$109,418.29
2.	Project Permit Application (Snare Rapids Hydro Upgrade)	$ 5,221.55
3.	Rate Rider Application	$ 6,381.98

Order:
The Board reviewed the information provided by the City and also noted NWTPC's objection to payment the cost claims for reason, among others, that the City's cost claims do not comply with the Board's Rules of Practice and Procedure respecting filing deadlines.

The Board denied the applications for costs with respect to the Project Permit proceeding and the Capacity/Reliability Planning Criteria proceeding. The Board approved the application for costs, adjusted for the Goods and Services Tax, with respect to the Rate Rider proceeding in the amount $6,143.41.

DECISION 17-2005 **November 18, 2005**

Application:
By letter dated October 14, 2005, NWTPC applied to the Board for approval for a private placement of debentures, in an amount of $15 million. NWTPC advised the purpose of the debenture is that NWTPC borrowing needs are dependent upon the extent of its upgrade and replacement capital program and its internal cash generation and do not necessarily fit into discreet fiscal year elements.

Order:
After reviewing the application the information provided in support thereof, the Board approved the issuance of the Debenture in the principal amount of $15,000,000 at a rate not to exceed a spread over the benchmark long Canada bonds of 110 basis points.

DECISION 18-2005 **November 24, 2005**

Application:
By letter dated November 7, 2005, Northland NWT filed an application to adjust the existing Rider A for the communities for Fort Providence, Dory Point/Kakisa, Wekweeti and Trout Lake.

Order:
The Board reviewed the schedules and information provided by Northland NWT and approved the rate rider, effective December 1, 2005.

DECISION 19-2005 **December 19, 2005**

Application:
On October 20, 2005, NWTPC submitted an application requesting an order pursuant to section 18 of *the Act* declaring that the provisions of *the Act* do not

apply to it with respect to providing interruptible electric service for space or process heating.

Order:
The Board reviewed the evidence and declared, pursuant to section 18 of *the Act*, the provisions of *the Act* do not apply to NWTPC with some exceptions.

DECISION 20-2005 **December 21, 2005**

Application:
By letter dated December 14, 2005, Northland NWT filed an application to decrease the existing Rider I for Hay River.

Order:
The Board reviewed the schedules and information provided by Northland NWT and approved the rate rider, effective January 1, 2006.